Castle & Cooke, Inc.

Annual Report for the Year Ended April 30, 1966

Castle & Cooke, Inc. Annual Report
for the year ended April 30, 1966

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YEARS ENDED APRIL 30	1966	1965
Total revenues	$294,571,000	$237,363,000
Income applicable to minority interests	3,450,000	2,163,000
Net income	9,687,000	8,160,000
Per share	2.51	2.13*
Working capital	50,054,000	63,360,000
Long-term debt	28,459,000	22,660,000
Stockholders' equity	127,957,000	121,210,000
Per share	33.09	31.66*
Cash dividends	3,656,000	3,476,000
Per share	.95	.91*
Number of shares outstanding	3,866,942	3,828,749*
Number of stockholders	10,267	10,010

* Adjusted for 3-for-2 stock split, effected in the form of a dividend, as of February 1, 1966.

Consolidated results of Castle & Cooke, Inc., and its subsidiaries for the fiscal year ended April 30, 1966, increased substantially over those of the prior year and were the highest in the Company's history.

Consolidated net income was $9,687,000, or $2.51 per share of outstanding capital stock. In the prior year, net income was $8,160,000, or $2.13 per share. Both per-share figures reflect the three-for-two stock split voted during the year.

For the year, consolidated revenues were $294,571,000, compared with $237,363,000 the year before. Revenue figures include sales of Standard Fruit and Steamship Company for approximately seven months in 1964-65, from date of acquisition, and for a full year in 1965-66. Castle & Cooke's pro-rata share of Standard's earnings was consolidated in 1964-65 and is likewise consolidated in the 1965-66 year.

The Directors voted a three-for-two stock split in the belief that it would increase and broaden the public's interest in our shares, increase their marketability and widen their distribution, to the advantage of the stockholders, the investing public and the Company.

At the time this action was taken, the Directors also announced their intention to increase the regular cash dividend rate to 25 cents per share per quarter, or $1 per year, after the split, depending on the future earnings and financial condition of the Company. The new $1 rate compares with 95 cents paid in 1965-66 and 91 cents paid in 1964-65 (both adjusted).

Shortly after the beginning of the 1966-67 fiscal year, Castle & Cooke completed arrangements for a medium-term, $35 million financing program. The seven-year term loan, arranged with a group of Hawaiian and mainland banks, will be used partly for the refinancing of short-term bank loans and also to make funds available for land development and other projects.

With a few exceptions, operations of the Company's divisions and subsidiaries were excellent during the year. They are summarized briefly here and treated at greater length in the following operations section of this report.

The Dole Company division had a good year and achieved higher earnings than in the previous year. Total sales declined, but sales of several major product categories set new records. Unfavorable weather on the Pacific Coast adversely affected production and marketing of Dole's fruit cocktail, its principal mainland pack, but these same factors helped to create a more favorable marketing environment for canned pineapple. Over-production and resulting low prices characterized the general juice and drink field in which Dole's juice products compete. Dole's distribution of fresh pineapple under the "Royal Hawaiian" brand made excellent progress during the year and further growth is expected in the new fiscal period. Production commenced at the new $28 million pineapple plantation and cannery complex in the Philippines, and is scheduled to reach full production in 1968. This facility will greatly strengthen Dole's world position in pineapple marketing.

Standard Fruit and Steamship Company, one of the world's largest banana companies, had an excellent year with earnings the second best in its history. Standard's long-range program to improve its competitive position and cost control continued to pay off, as the company was able to achieve such excellent results in the face of several difficult distribution and marketing problems.

During the year, Castle & Cooke and Standard jointly asked for tenders of Standard common shares at $26 per share. Castle & Cooke acquired an additional 183,000 shares and Standard purchased 127,000 shares for its treasury, thus increasing Castle & Cooke's common stock ownership from 55 per cent to 84 per cent.

The Bumble Bee Seafoods division again had an excellent year, with earnings setting an all-time record and sales, up 18 per cent from the prior year, exceeding $40 million for the first time.

Bumble Bee's progress was made over a broad front of operations. Red salmon sales were excellent, benefiting

particularly from record-high catches in the Bristol Bay fishery of Alaska. Tuna operations, likewise, were excellent and the division further gained from unusually large catches of local tuna in waters adjacent to its canneries in Astoria and Honolulu.

Our sugar plantation companies as a group reported mixed results due largely to unfavorable weather conditions during the year. Average returns from the refinery increased over the low returns of the prior year. The sugar industry, however, was assured of more stable operating conditions in the years ahead through revision and extension of the U. S. Sugar Act and the conclusion of a three-year labor contract.

The Royal Hawaiian Macadamia Nut Company, through which Castle & Cooke has done much pioneering in the production of this new, high-quality nut, made substantial processing and marketing progress and reported a profit for the first time.

Oceanic Properties, Inc., our land development and management subsidiary, sustained a substantial loss for the year. This was due largely to the decision to postpone the sale of its new medical office building in Los Angeles, now scheduled to be accomplished in the new fiscal year. Start-up expenses on The Sea Ranch project in Northern California and other projects also contributed to the loss.

Despite these unfavorable results, Oceanic is moving ahead with planning or development on its varied land projects in California, Hawaii and the Philippines. These are covered at greater length in the operations section of this report.

Four directors of Castle & Cooke have decided they will not stand for re-election to the Board at the Annual Meeting in August. They are E. E. Black, a director since 1945; A. L. Castle, first elected to the Board in 1919; H. K. L. Castle, a director since 1917, and A. F. Stubenberg, who joined our Board in 1949. In their long and devoted service to this Company these men have made a lasting and invaluable contribution. They have earned the gratitude of the stockholders, the employees and their fellow directors.

Again, the employees of Castle & Cooke and its affiliated companies are to be congratulated and thanked for their outstanding performance and loyalty during the year.

A. G. Budge
CHAIRMAN OF THE BOARD

Malcolm MacNaughton
PRESIDENT

Honolulu, Hawaii
June 24, 1966


Dole
Hawaiian
SLICED PINEAPPLE
IN EXTRA HEAVY SYRUP
NET WEIGHT 1 LB. 14 OZ. OR 850

DOLE COMPANY DIVISION

Dole, world's largest producer of pineapple and Castle & Cooke's largest unit, enjoyed another good year in 1965-66. Although total sales, both in terms of dollars and cases, were down from the previous year, earnings were up and new records were set for sales of solid pack canned pineapple, fresh pineapple and Blue Lake green beans.

Dole's sales again exceeded $100 million but were somewhat below last year's volume. Mainland weather conditions and an increasingly competitive situation in the whole field of juices, drinks and beverages were the two major obstacles to an even better sales and earnings performance.

Weather damage to Pacific Coast fruits had a mixed effect upon Dole. Late spring freezes materially reduced the amount of pears available so that Dole had to cut back substantially its fruit cocktail pack for the year. The widespread destruction of California peaches caused by heavy summer rains also reduced the amount of peaches Dole could obtain for cocktail. On the other hand, the resulting poor quality of peaches caused several other large canners to divert peaches from halves and slices to cocktail. As a consequence of these varied factors, the total industry-wide pack of fruit cocktail was the second highest on record, but Dole's pack was substantially less than normal. So while prices of fruit cocktail were somewhat better than in the depressed 1964-65 year, they were still rather weak due to the large pack. Nevertheless, Dole-label fruit cocktail increased its relative share of the market due to the continued acceptance of Low-Calorie cocktail which Dole originated.

This overall reduction in the amount of mainland fruits caused by the ravages of nature enhanced the market position of solid pack canned pineapple. Prices for canned pineapple remained firm throughout the year, and Dole's sales volume of canned pineapple was significantly higher than the all-time record set in 1964-65. This was accomplished despite the fact that competition increased during the year both from cheap foreign-produced pineapple entering the U. S. market and from the drastic moves made by a major brand competitor to regain its prior share of the U. S. pineapple market. In the face of these pressures, Dole continued to hold its dominant share of the domestic market.

The situation was less auspicious for the company's juice products. With the Florida citrus industry maintaining high levels of production and intensified promotional efforts, strong competitive pressures continued upon Dole's pineapple and blended pineapple-citrus juices and drinks. In addition, many other competitors entered the general beverage market with a wide variety of juices, drinks and synthetic preparations. Although Dole was able to move a high volume of hot pack pineapple juice, prices were lower than in the previous year. In addition, the volume of frozen and blended juices and drinks suffered a decline.

Dole is meeting this challenge aggressively, however, and future prospects in this field are encouraging. During the year, Dole successfully introduced a new juice product, Dole Pineapple-Pink Grapefruit Juice Drink, which has been enthusiastically received and is exceeding all sales projections. Initially introduced in the West, it was moved quickly into national distribution. Additional uses and new products are being developed so that full advantage can be taken of the fact that Dole is probably the producer of the world's largest single supply of fruit juice and fruit solids.

The successful introduction of Pineapple-Pink Grapefruit Juice Drink is only the beginning of one of the most important growth areas for the company. The New Products Division has a whole series of new products in various stages of development with several of them now being market tested.

The division continued to expand its fresh pineapple business during the year. Utilizing the "Royal Hawaiian" brand on its pineapple, Dole has pioneered large-scale marketing of fresh pineapple to the point where a permanent and substantial new market has been added to the

company's business. Utilization of the resources and experience of Dole and Standard Fruit and Steamship Company holds great promise in the marketing of fresh pineapple, and means of achieving this end are currently being explored.

Progress is also being made toward the establishment of a firm position for Dole's products on a worldwide basis. The new Dolfil pineapple operation on the Island of Mindanao in the Philippines commenced production during the fiscal year, and will be in full production in approximately two years. A very large capacity has been built into this operation so that it holds great potential for growth over the years ahead.

In Europe, a marketing director has been appointed with headquarters in Brussels and his organization is now in the process of developing an ambitious marketing program for Dole in that area. In Japan, Dole is represented through Castle & Cooke East Asia, Ltd., and has formed two joint ventures with Japanese partners, Dole-Itochu Food Company and Jintan-Dole Company.

Strides are being made in finding new and diverse uses for bromelain, the enzyme extracted from the pineapple plant, and in improving the process for producing this extraordinary product. Research agencies and commerical users of bromelain throughout the world are continuing research into the unusual properties of the enzyme. Such effects as meat tenderizing, digestive aid and anti-inflammatory action are already established. Meanwhile, Dole itself is planning and engineering expanded and improved production facilities to enable production of bromelain to keep up with increasing demand.

Dole recently concluded an agreement to manufacture cans for the next five years for Pepsi Cola soft drinks in the Hawaiian market, and other opportunities for soft drink can-making are being actively pursued.

During the year, John R. Gale was elected Controller of Dole, succeeding L. H. Hogue who continues as Vice President for Mainland Operations.

STANDARD FRUIT AND STEAMSHIP COMPANY

Standard Fruit and Steamship Company, newest member of the Castle & Cooke family, enjoyed the second best year in its history during calendar year 1965 with a net profit of $4,511,000 on sales of $97,412,000.

For the first quarter of 1966, Standard reported earnings of $597,000, compared with $522,000 for the same period of 1965. Donald J. Kirchhoff, company president, said the quarter would have been better except that the wholesale banana market was adversely affected by severe late-January snow storms in the Northeastern U. S. and Canada. However, as the second quarter of 1966 progressed, prices and earnings were improving.

Standard's increased sales and earnings in 1965 were made possible by a continuation and refinement of steps taken in recent years to improve the company's cost and competitive positions. These programs were able to offset a number of unfavorable factors affecting banana operations, including the five-week Gulf and Atlantic longshore strike at the beginning of the year. Another strike, this one against U. S. flag shipping, curtailed normal imports on other shipping lines. In December, 1965, wholesale banana prices hit a new all-time low due to extremely high volume of competitive importations. Standard's strengthened competitive position more than offset these unfavorable marketing developments.

Central American production reached new highs due to improved yields on company banana farms and to an expansion of the independent planter program. Under this program, bananas are purchased on a contract basis from private farmers whose farms and production can meet Standard's requirements. As part of the contract, the company provides the complicated mechanical and technical assistance necessary to cultivate bananas. All banana production from the land is purchased at a stated price which is calculated to result in a substantial profit to the local landowner.


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The Champagne of Bot
cabana
PLANTATION PACKED
BANANAS
1375
cabana

The program is helpful to the host country by increasing basic economic activity and improving foreign trade balances. Company funds which would otherwise be required for new cultivations can be used for modernization, improvement and expansion of all other facilities and activities required to keep the banana business profitable.

Standard's other source of supply is Ecuador, where the company is that country's largest purchaser of bananas. The quantity of bananas purchased and imported from Ecuador reached an all-time high in 1965. This increased volume reflected the capacity-loading characteristics of the company's larger, faster refrigerated ships which have reduced unit shipping costs. The average age of Standard's chartered fleet of ten ships is two years.

Early in the year, the Packer Publishing Company presented its Annual Merchandising Award to Standard, singling out the company's development of boxed bananas "for outstanding merchandising contribution to the fresh fruit and vegetable industry by increasing the efficiency of our marketing system."

In September, Hurricane Betsy struck New Orleans, location of Standard's headquarters, causing more damage than any other natural disaster in the city's history. Included in this damage was the destruction of the gantries at the New Orleans terminal which were used to unload banana-laden ships. Temporary equipment was obtained and operations were resumed within one week. Plans for a new unloading system were immediately prepared and the new, modern unloading system now being built is expected to raise productivity levels to new highs while maintaining the careful, gentle handling required for a highly perishable item.

Carmelo D'Antoni, one of the founders of the company, died in January, 1966. He had been an active member of Standard's management for many years and had served in many capacities, including Vice President, General Manager, and as a Director since the company's organization as a corporation in 1926.

BUMBLE BEE SEAFOODS DIVISION

Bumble Bee Seafoods achieved record-high earnings and sales for the year. Earnings reflected a combination of good fish production in several major operating areas and improved market experience on canned salmon and tuna. Sales increased by 18 per cent, resulting in a new record for the tenth consecutive year. Red salmon, light meat tuna and pet food were among the products recording the largest gains.

Alaska salmon operations were highlighted by an excellent catch of red salmon in Bristol Bay. Bumble Bee canneries in that area participated fully in the resulting large pack, enabling the division to establish historic records for both production and sales of this premium-quality fish. Despite the large pack, escapement of salmon upriver to the spawning grounds was exceptionally good, thus helping to ensure continuing large catches in the future.

Pink salmon runs in Central and Southeastern Alaska and Puget Sound were well below average, resulting in insufficient production to meet marketing requirements. The volume of canned salmon from the Columbia River exceeded that of the past several years. Efforts to improve the runs of salmon which spawn in the upper reaches of the Columbia are continuing, but the problems are formidable because of unfavorable changes in the environment resulting from the construction of many huge multipurpose dams. Some of the lower river runs of chinook and cohoe salmon, however, have increased dramatically as a result of improved propagation methods.

Canned tuna packs at Bumble Bee's Astoria and Honolulu canneries exceeded those of the previous year. Both operations benefited from large deliveries of fish caught in adjacent waters. Excellent catches of albacore tuna were made off the coasts of Oregon, Washington and Northern California, and the catch of skipjack tuna in Hawaiian waters set an all-time record. Atlantic catches of tuna were smaller, and the production of Bumble Bee's subsidiary Maryland Tuna Corp. at Cambridge, Md., declined.

Although only in its second year of operation, the canning of King crab at the Alitak cannery on Kodiak Island exceeded expectations. Production was increased substantially over the first year's level, and this superior-quality product is finding ready acceptance in the market place.

As the 1966 fishing season begins for Bumble Bee, another good run of red salmon is forecast in Bristol Bay. While not expected to equal the record of 1965, research agencies anticipate that the run will be more evenly spread over all the river systems of the Bay. The fish are also expected to be of larger size because a portion will have spent an additional year in the ocean.

The 1966 pink salmon runs in Central and Southeastern Alaska are expected to exceed last year's production. The Columbia River fishing season was opened later than usual this year and catches of spring chinook have been the lowest for several years. Predictions for Puget Sound indicate a run of sockeye salmon of about the same magnitude as in the prior year.

It is too early to make predictions on the current year's tuna production. Early catches of albacore off the coasts of Japan and of skipjack tuna in Hawaiian waters are smaller than those of the prior year. The world market for cannery supplies of frozen tuna has fluctuated widely in recent months, but as the season progresses it is expected that prices will recede as supplies increase.

Bumble Bee's inventories of canned tuna and salmon are well balanced, and the Division will continue to intensify its marketing activities with an increased advertising budget on both tuna and salmon products.

SUGAR

Developments during the fiscal year on legislative and labor fronts will contribute significantly to the stability of the Hawaiian sugar industry in the next few years. Meanwhile, unfavorable weather conditions influenced in varying degrees the results of the three sugar plantation companies controlled by Castle & Cooke.

Of prime importance was the revision and extension of the U. S. Sugar Act by Congress. In final form, the legislation followed the lines of a compromise agreement worked out in early 1965 by the entire U. S. domestic sugar industry. Beet and mainland cane industries obtained a temporary increase in quota, permitting them to reduce currently burdensome inventories in an orderly manner. The Hawaiian quota was essentially unchanged. Of six years' duration, the revised Sugar Act will permit greatly improved forward planning. Most importantly, however, it arrests the uneconomic over-expansion of beet sugar.

In Hawaii, the sugar plantation companies concluded a three-year contract with the International Longshoremen's & Warehousemen's Union which, although costly, should assure labor harmony in the industry for its duration.

Waialua Agricultural Company reported improved earnings over the prior year and set a new production record of 76,056 tons. This was achieved in spite of unseasonably heavy rains in April and May and again during the late autumn which seriously disrupted production operations.

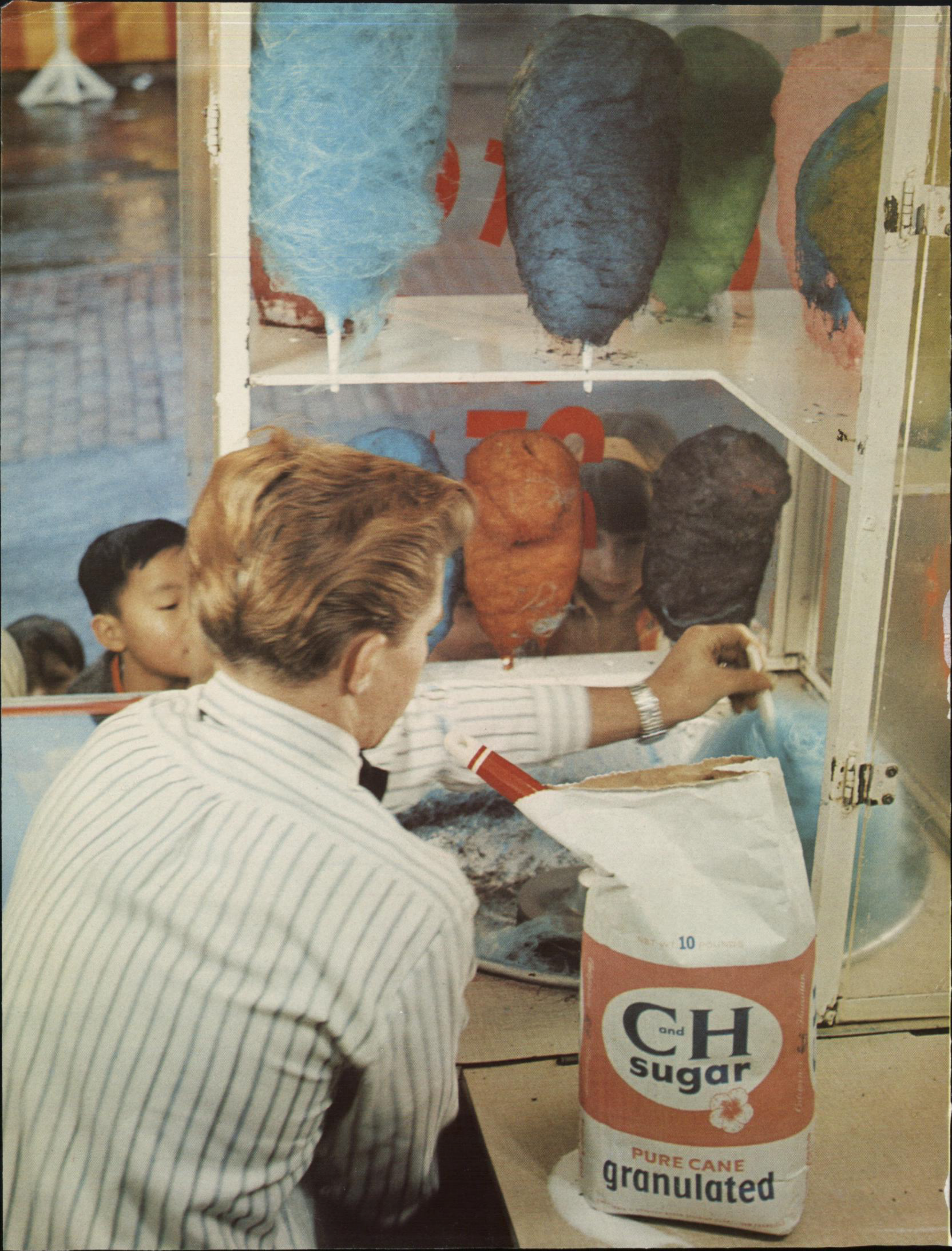
Waialua's new $3,223,000 boiler and power generating installation went on stream in June, 1966, and will increase the plantation's efficiency and power capacity, while at the same time eliminating a smoke and ash nuisance. It includes a fully-automated bagasse-handling facility.

Ewa Plantation Company was not as fortunate as Waialua. The same unfavorable rainfall stopped production for long periods, forcing a carryover of substantial acreage into the new fiscal year. Ewa's earnings, consequently, were down from the prior year. Production was 53,250 tons. Despite these obstacles, however, Ewa achieved the highest cane yield per acre in its history.

Conversely, Kohala Sugar Company on the Island of Hawaii suffered from inadequate rainfall, so production was below estimate and the company reported only a modest profit.

Significant progress continues to be made at Kohala in improving its long-term operations. Successful drilling of


Figaro
CAT FOOD
BUMBLE BEE
CHUNK LIGHT TUNA


10
C and H
sugar
PURE CANE
granulated

a major well appears to assure larger supplies of water for expansion of irrigated fields. Work continues apace on installation of the $2,000,000 boiler and power plant at the mill.

ROYAL HAWAIIAN MACADAMIA NUT DIVISION

As forecast a year ago, the Royal Hawaiian Macadamia Nut Division achieved increased sales and improved operating efficiencies in 1965-66 with the result that it reported a profit for the first time.

The new nut processing plant at the Keaau orchard, completed at the end of the last fiscal year, bore out its promise of substantial operating improvements, reduced costs and continuing high product quality. The plant has sufficient capacity to handle the expected increase in volume over the next several years without further major capital expenditures.

These production improvements, coupled with aggressive promotion of the "Royal Hawaiian" brand, created strong demand for macadamia nuts both as grocery and specialty shop items and as ingredients in ice cream, candy and bakery products.

A three-year labor contract was signed at the end of the fiscal year with the International Longshoremen's & Warehousemen's Union covering field and factory employees.

Richard Jennings, Sales Manager, was elected a Vice President of the Division during the year.

OCEANIC PROPERTIES, INC.

Oceanic Properties, Castle & Cooke's wholly-owned land development and management subsidiary, sustained a substantial loss for the year ended April 30, 1966. This was attributable to two factors. First was the decision to defer the sale of the Wilshire Metropolitan Medical Center in Los Angeles. Second was the absorption of start-up expenses on several projects, primarily The Sea Ranch, Oceanic's "second home" colony on the coast of Northern California.

At the close of the fiscal period, however, the medical building was renting well and prospects for its sale in the new fiscal year were good. Further, The Sea Ranch lots were moving as projected, the venture was receiving much favorable national publicity, and there was every prospect for profits there in future years.

Elsewhere, Oceanic projects were maturing. Planning at Hamilton, the new town on 11,000 acres in San Jose, Calif., was completed by the close of the fiscal year and financing of this major development was preoccupying the management in a period when money for land development and housing was as short as at any time since the 1920's.

The first construction stage of the Olive Court shopping center in Orange County, Calif., was nearing completion and, while a relatively modest venture, it has an assured gain when Oceanic elects to liquidate it.

In Hawaii, the private redevelopment of a block in downtown Honolulu proceeded through the necessary government approvals and demolition. At the end of the year, this $20 million project, for which Oceanic is developer and manager and which will house the headquarters of Castle & Cooke and the Bank of Hawaii, was on schedule and within budget. Nearby, the Queen Emma Gardens cluster of three high-rise apartments continued successful and fully tenanted. Mililani, the name given the new town outside Honolulu, approached the operational stage with ground having been broken for the golf course, engineering in the final stages, and design of utility systems, town center and model homes in working drawings. Projections indicate this will be a profitable undertaking.

The memorial parks in Honolulu and Manila had a troubled if modestly profitable period. Sales in Honolulu slumped for some months, then revived toward the close of the year. While acceptance in Manila was very good, problems of financing improvements in the light of the U. S. program to restrict the outflow of dollars plagued the management throughout the year.

Oceanic continued to serve the associated Castle & Cooke companies in administration of their lands. Significant among the events of the period were the development

of a master plan for the Island of Lanai, resolving of agricultural encumbrances for the Mililani town development, and the sale in fee simple of 248 acres at Paumalu on the Island of Oahu to Comsat at a substantial price. This property will be used by that international agency as one of its four stations throughout the world for monitoring communications satellites.

HAWAIIAN EQUIPMENT COMPANY

The distribution in Hawaii of trucks, tractors and other heavy equipment, the function of the Hawaiian Equipment Company Division, is intensely competitive. It is a measure of Hawaiian Equipment's success in 1965-66 that sales increased one-third and earnings almost doubled, compared with the prior year.

These increases were due in part to the strong market for heavy equipment associated with highway-building as Hawaiian projects expanded. The leasing operations of the division continued active and profitable, and it continues, as well, to be a major supplier of the sugar and pineapple industries.

TERMINALS AND AGENCY DIVISIONS

Operations of Castle & Cooke Terminals and the Ship Agency division were satisfactory and profitable for the year, and both continued their recovery from the drastic effects of their loss of the Matson Navigation Company business in Honolulu.

Shortly after the new fiscal year began the Terminals and Ship Agency were appointed to serve American President Lines in the Port of Honolulu, a development which promises to restore these operations to their former positions of maritime leadership and potentially to enable them to make substantial contributions to Castle & Cooke's earnings in the future.

A.P.L. has applied to the U. S. Maritime Administration for authority to establish the most modern container ship service between the Pacific Coast and Hawaii, in addition to their already well-established trans-Pacific passenger service which stops in Honolulu. Hearings on the new freight service begin in August, 1966.

Meanwhile, Castle & Cooke Terminals was also appointed stevedore for States Line, which in addition to the States Marine-Isthmian and other major steamship accounts, helps to assure the continuing profitable growth of this operation.

The Castle & Cooke Travel Agency division showed a continuing growth, both in tour business outside of Hawaii as well as that within the Islands.

THAI-AMERICAN STEEL

The new Bangkok pipe manufacturing plant of Thai-American Steel Works Company, Ltd., in which Castle & Cooke has a 55 per cent interest, began production during the year. The plant now produces 19 varieties of steel pipe and tubing for the domestic Thai market.

Start-up problems and a highly competitive marketing situation penalized the operations of this venture, however, and it continues to operate at a loss.

REPUBLIC GLASS CORPORATION

The year was one of significant progress for Republic Glass and net earnings, which are consolidated with those of Castle & Cooke, showed a substantial increase.

The window and sheet glass plant operated at 93 per cent of its rated capacity, significantly higher than in previous years, and intensified sales efforts enabled Republic to supply 85 per cent of the market for these products in the Philippines.

The $1,500,000 expansion program to enable Republic to manufacture figured, wired and polished plate glass is well advanced. The figured and wired glass plant went on stream on May 1, 1966. The polished plate glass plant, originally scheduled for completion in August, 1966, was delayed when equipment was damaged aboard ship en route from Europe.


Royal Hawaiian
Macadamia Nuts

Castle & Cooke, Inc.: Its Divisions, Subsidiaries & Major Investments

(Those included in consolidated financial statements shown in boldface type)

Bay & River Navigation Company (17.21%)

Bumble Bee Seafoods (Division)
- **Maryland Tuna Corp.** (60%)
- C. W. C. Fisheries, Inc. (50%)
- Excursion Inlet Packing Co. (50%)
- Lake Union Terminals (50%)

Castle & Cooke East Asia, Ltd. (100%)

Castle & Cooke Investments Company (Division)
- **Republic Glass Corporation** (58%)
- Correct Mix Concrete, Ltd. (78.51%)
- Boon & Cheah Quarries, Limited (71.5%)
- Thai-American Steel Works Company, Limited (55%)
- House of Investments, Inc. (19%)
- Investment Managers, Inc. (10%)

Castle & Cooke Terminals, Limited (100%)

Dole Company (Division)
- **Dole of Canada Limited** (100%)
- **Dole Philippines, Inc.** (80%)
- Dole-Itochu Food Company, Ltd. (50%)
- Jintan-Dole Company, Ltd. (50%)

Ewa Plantation Company (69.76%)
- **Honouliuli Company, Limited** (100%)
- Oahu Transport Company, Limited (42.5%)
- Hawaiian-Philippine Company (Pfd.) (10%)
- Hawaiian Development Company, Ltd. (5.22%)
- California and Hawaiian Sugar Refining Corporation, Limited (6.59%)

Great American Insurance Company (2.42%)

Hawaiian Equipment Company (Division)

Hawaiian-Philippine Company (Pfd.) (8.3%)

Hawaiian Hauling Service, Ltd. (50.76%)

Kawaihae Terminals, Inc. (55%)

Kohala Sugar Company (99.87%)
- **Kohala Ditch Company, Limited** (100%)
- Hawaiian Development Company Ltd. (4.31%)
- California and Hawaiian Sugar Refining Corporation, Limited (2.89%)

Oceanic Properties, Inc. (100%)
- **Oceanic Properties Investments, Inc.** (100%)
  - **Trans-Pacific Development & Management Corp.** (51%)
  - Mililani Mortuary, Inc. (100%)
  - Rizal Memorial Park Cemetery, Inc. (51%)
  - Manila Memorial Park Cemetery, Inc. (26%)
- Lake Anderson Corporation (100%)
  - Gelderman-Oceanic, dba Hamilton (50%-Joint Venture)
    - Laguna Seca Rancho (100%)
    - Riverside Golf Club (100%)
- The Sea Ranch Gas & Water Company (100%)
- Oceanic Properties Development (Malaysia), Limited (51%)
- Metropolitan Capital Associates (64%-Joint Venture)

Queen Emma Gardens Redevelopment Corp. (40%)

Royal Hawaiian Macadamia Nut Company (Division)

Standard Fruit and Steamship Company (83.8%)
- **Standard Fruit Company** (100%)
  - **Fabrica de Manteca y Jabon Atlantida, S.A.** (51%)
    - **Manufacturas de Carton, S.A.** (15%)
  - **Manufacturas de Carton, S.A.** (70%)
  - **Cerveceria Hondurena, S.A.** (27.9%)
  - Envases Industriales de Costa Rica, S.A. (34%)
- **Cerveceria Hondurena, S.A.** (36.4%)
  - **Manufacturas de Carton, S.A.** (15%)
  - Corcho y Lata, C.A. (40%)
- **Eros Transport Co., Ltd.** (100%)
- **Standard Banana Company** (100%)
- **Standard Fruit and Steamship Company of Canada, Ltd.** (100%)
- **Compania Bananera Antillana, S.A.** (100%)

Waialua Agricultural Company, Limited (67.40%)
- Oahu Transport Company, Limited (42.5%)
- Hawaiian Development Company, Ltd. (5.99%)
- California and Hawaiian Sugar Refining Corporation, Limited (6.03%)

	April 30, 1966	April 30, 1965
CURRENT ASSETS:		
Cash	$ 9,101,000	$ 7,256,000
Time deposits and marketable securities — at cost	4,083,000	10,083,000
Accounts receivable, less allowances for doubtful accounts — 1966, $266,000; 1965, $305,000	31,787,000	31,463,000
Inventories	58,783,000	53,698,000
Prepaid expenses	3,923,000	3,421,000
Total	107,677,000	105,921,000
DEDUCT CURRENT LIABILITIES:		
Notes payable, including current installments on long-term debt	28,815,000	10,434,000
Accounts payable	23,688,000	21,212,000
Income taxes payable	5,120,000	10,915,000
Total	57,623,000	42,561,000
WORKING CAPITAL	50,054,000	63,360,000
GROWING CROPS— At static values	5,300,000	5,300,000
INVESTMENTS— At cost:		
California and Hawaiian Sugar Refining Corporation, Limited	2,392,000	2,392,000
Securities of and advances to foreign subsidiaries	1,615,000	1,200,000
Other investments	6,897,000	6,298,000
LAND— At cost	20,440,000	20,529,000
BUILDINGS, MACHINERY AND EQUIPMENT— At cost, less accumulated depreciation — 1966, $106,596,000; 1965, $101,895,000	83,288,000	71,362,000
NON-CURRENT RECEIVABLES— Less allowances for doubtful accounts — 1966, $455,000; 1965, $424,000	8,291,000	8,137,000
DEFERRED CHARGES AND OTHER ASSETS	14,551,000	10,785,000
Total	192,828,000	189,363,000
DEDUCT:		
Long-term debt	28,459,000	22,660,000
Deferred income taxes	5,980,000	5,416,000
Deferred income and other credits	1,699,000	2,774,000
Minority interest (including preferred stock of subsidiaries — 1966, $9,902,000; 1965, $12,236,000)	28,733,000	37,303,000
	64,871,000	68,153,000
NET ASSETS, REPRESENTING STOCKHOLDERS' EQUITY	$127,957,000	$121,210,000
STOCKHOLDERS' EQUITY:		
Capital stock, $10 par value:		
Authorized, 5,000,000 shares		
Issued, 1966, 3,913,343 shares; 1965, 2,598,899 shares	$ 39,133,000	$ 25,989,000
Capital in excess of par value	8,304,000	8,033,000
Capital from acquisition of subsidiaries' stock	16,831,000	16,687,000
Retained earnings	64,976,000	71,788,000
	129,244,000	122,497,000
Less cost of treasury stock — 1966, 46,401 shares; 1965, 46,400 shares	1,287,000	1,287,000
STOCKHOLDERS' EQUITY	$127,957,000	$121,210,000

See the accompanying notes to financial statements.

YEARS ENDED APRIL 30	1966	1965
REVENUES:		
Food products, except sugar	$240,847,000	$188,334,000
Sugar	25,432,000	24,489,000
Merchandise	16,599,000	11,944,000
Service operations, including rentals	8,326,000	8,525,000
Gain on sales of capital assets	1,174,000	1,280,000
Dividends, interest and other revenues	2,193,000	2,791,000
Total	294,571,000	237,363,000
COSTS AND EXPENSES:		
Cost of products and merchandise sold	207,285,000	161,478,000
Selling, service, general and administrative expenses	55,025,000	50,232,000
Depreciation	7,734,000	6,431,000
Interest	1,444,000	972,000
Total	271,488,000	219,113,000
INCOME BEFORE INCOME TAXES	23,083,000	18,250,000
INCOME TAXES:		
Current	9,382,000	7,073,000
Deferred	564,000	854,000
Total	9,946,000	7,927,000
INCOME BEFORE MINORITY INTERESTS	13,137,000	10,323,000
MINORITY INTERESTS	3,450,000	2,163,000
NET INCOME	9,687,000	8,160,000
SPECIAL ITEM — Gain on sale of Matson Navigation Company stock, less income taxes of $3,349,000	—	9,235,000
NET INCOME AND SPECIAL ITEM	9,687,000	17,395,000
RETAINED EARNINGS, BEGINNING OF YEAR	71,788,000	66,571,000
	81,475,000	83,966,000
DEDUCT:		
Dividends:		
Cash	3,656,000	3,476,000
Stock — 10%	—	8,702,000
Transfer to capital stock — 3-for-2 split	12,843,000	—
RETAINED EARNINGS, END OF YEAR	$ 64,976,000	$ 71,788,000

See the accompanying notes to financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all significant operating subsidiary companies. The accounts of Dole Philippines, Inc., an 80% owned subsidiary, have been included for the first time, and the statement of consolidated financial condition for the year ended April 30, 1965 has been restated to include the accounts of this subsidiary. Dole Philippines, Inc. is in the developmental stage, and costs and expenses in excess of revenues are being deferred until full production is attained, which is expected to be in 1968. The amounts deferred, $6,987,000 and $3,555,000 as of April 30, 1966 and 1965, included in deferred charges and other assets, will be written off over the remaining life of the 25 year land lease.

The statement of consolidated income for the year ended April 30, 1965 has been restated to include revenues and costs and expenses of Standard Fruit and Steamship Company from date of acquisition, October 4, 1964, previously reported as a single item.

Consolidated subsidiaries and other investments are listed on page 17. The accounts of foreign subsidiaries are maintained in U. S. currency or are translated at appropriate rates of exchange.

GROWING CROPS

This amount represents pineapple and sugar crops in Hawaii, stated at static values. The costs of growing these and all other crops, except those of Dole Philippines, Inc. (see preceding note) are charged to operations as incurred.

INVENTORIES

Inventories at April 30, 1966 consisted of the following:

Finished products and raw materials:	
At the lower of cost (principally average) or market	$26,244,000
At static unit values (substantially less than cost)	8,089,000
Operating supplies, generally at the lower of average cost or market	24,450,000
Total	$58,783,000

LONG-TERM DEBT

At April 30, 1966, consolidated long-term debt, less current maturities, consisted of the following:

Unsecured notes:	
To insurance companies:	
4%, annual installments of $275,000 until maturity in 1969	$ 825,000
5¼%, annual installments of $400,000 until maturity in 1972	2,000,000
To banks:	
Interest rate between 4% and 6% (currently 6%), minimum semi-annual installments of $1,000,000 in 1969 and $1,250,000 thereafter until maturity in 1974	21,960,000
6½%, substantially equal quarterly installments until maturity in 1970	1,050,000
5%, due in 1968	250,000
Notes, contracts and other long-term payables (leasehold improvements, trucks and other equipment pledged as collateral)	2,374,000
Total	$28,459,000

In June 1966 the Company entered into a credit agreement with a group of banks under which it may borrow up to $35,000,000 with interest at ½ of 1% above the prime rate (currently 5½%), and drew $20,000,000 which was used in part to retire short-term loans. No assets are pledged as collateral for the new loans, but the credit agreement restricts the amount of cash dividends which may be declared (see below) and contains provisions relating to the maintenance of working capital, current ratios and debt ratios. Quarterly principal repayments in the following amounts are to commence on July 31, 1968: $500,000 to April 30, 1969; $1,000,000 to April 30, 1970; $1,250,000 to April 30, 1971; $1,500,000 to January 31, 1973; and the remainder on April 30, 1973.

At April 30, 1966, under the most restrictive provisions of loan agreements then in effect, $17,612,000 of consolidated retained earnings was not restricted as to the payment of dividends. Provisions of the credit agreement executed in June 1966 limit payment of cash dividends to $8,000,000 plus consolidated net income earned subsequent to April 30, 1966.

DEFERRED INCOME TAXES

Deferred income taxes at April 30, 1966 resulted from the use of different methods for income tax purposes to account for depreciation and certain installment sales.

COMMITMENTS AND CONTINGENT LIABILITIES

Under ship charters with expiration dates ranging from 1966 to 1972, and various lease agreements expiring generally within twenty-five years, the Company has incurred obligations of approximately $9,500,000 for the year ending April 30, 1967.

Estimated unfunded past service and minimum benefit costs of insured employee retirement plans at April 30, 1966 of $1,474,000 are being funded over periods of 10 to 25 years from the effective dates of the plans. Both the estimated unfunded benefit costs and the cost for the year ended April 30, 1966 are substantially lower than the corresponding figures reported for prior years as a result, primarily, of changes to update actuarial assumptions. The cost of the insured plans for the year ended April 30, 1966 was $968,000 of which $760,000 was related to current service and $208,000 to unfunded costs. Additional directly financed pension costs for the year amounted to $233,000. The amount which would be required to fund these pensions at April 30, 1966 is estimated to be $1,507,000.

At April 30, 1966 the companies were contingently liable in the amounts of $6,138,000 for notes discounted and mortgage loans endorsed and $4,956,000 for guarantees of associated companies' indebtedness.

STOCK OPTIONS

The Company has employees' stock option plans under which options become exercisable cumulatively over the option periods. For plans adopted prior to 1963, the option period is ten years and the option price is not less than 95% of the market price on the date of grant. For the plans adopted in 1963 and 1965, the latter subject to ratification by the stockholders at their annual meeting in August 1966, the option period is five years and the option price is the market price on the date of grant. A summary of transactions during the year ended April 30, 1966, adjusted to give effect to the

	YEAR ENDED APRIL 30, 1966
SOURCE OF FUNDS:	
Net income	$ 9,687,000
Income applicable to minority interests	3,450,000
Depreciation	7,734,000
Deferred income taxes	564,000
Funds provided from operations	21,435,000
Increase in long-term debt	5,799,000
Sale of capital stock under stock option plans	572,000
Decrease in working capital	13,306,000
Total	$41,112,000

APPLICATION OF FUNDS:	
Additions to property, less $908,000 book value of disposals	$20,029,000
Purchase of capital stock of subsidiaries	10,552,000
Cash dividends to Castle & Cooke, Inc. stockholders	3,656,000
Cash dividends to minority stockholders	785,000
Increase in investments and advances to affiliates	1,014,000
Increase in deferred charges and other assets	3,766,000
Decrease in deferred income and other credits	1,075,000
Other	235,000
Total	$41,112,000

stock split on February 1, 1966, is as follows:

	Options Outstanding			
		Option Price		
	Shares	Average Per Share	Total	Shares Available For Option
Balances, May 1, 1965 ...	179,806	$17.45	$3,138,000	2,475
Additions, 1965 plan	—	—	—	45,000
Options granted ...	23,100	28.67	662,000	(23,100)
Options exercised ..	(38,186)	14.97	(572,000)	—
Options cancelled ..	(2,516)	19.64	(49,000)	1,650
Balances, April 30, 1966 ..	162,204	$19.60	$3,179,000	26,025

In May 1966, options were granted under the 1963 and 1965 plans for 23,875 shares at a total price of $692,375.

Standard Fruit and Steamship Company, a subsidiary, adopted a plan during the year with similar provisions to the parent company's 1965 plan, which provides for the granting of options to officers and key employees for 100,000 shares of its common stock held as treasury stock. At April 23, 1966, options for 57,200 shares at a total price of $1,208,928 had been granted under the plan and were outstanding.

STOCK SPLIT

On February 1, 1966, the Company's capital stock was split 3-for-2, effected in the form of a dividend. This action resulted in issuance of 1,284,285 shares and the transfer of the par value of the additional shares from retained earnings to the capital stock account.

CAPITAL IN EXCESS OF PAR VALUE

This account increased $271,000 during the year as a result of sales of capital stock under the employees' stock option plans.

To the Stockholders of Castle & Cooke, Inc.:

We have examined the statement of consolidated financial condition of Castle & Cooke, Inc. and its consolidated subsidiaries except Standard Fruit and Steamship Company and the latter's subsidiaries as of April 30, 1966 and the related statements of consolidated income and retained earnings and of consolidated source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. As to Standard Fruit and Steamship Company and its subsidiaries, whose assets and net income constitute approximately 20% and 33% of the respective consolidated totals, we were furnished with the report of other accountants on their examination of the consolidated financial statements of those companies.

In our opinion, based on our examination and the report of other accountants referred to above, the accompanying statements of consolidated financial condition and consolidated income and retained earnings present fairly the financial position of Castle & Cooke, Inc. and its consolidated subsidiaries at April 30, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year; and the accompanying statement of consolidated source and application of funds presents fairly the information shown therein.

HASKINS & SELLS
Certified Public Accountants

Honolulu, Hawaii
June 15, 1966

YEARS ENDED APRIL 30	1966	1965	1964	1963	1962
Total revenues	$294,571,000	$237,363,000	$185,502,000	$166,494,000	$155,329,000
Net income	9,687,000	8,160,000	7,801,000	2,813,000	4,592,000
Per share*	2.51	2.13	2.04	.74	1.19
Special items	—	9,235,000[1]	—	—	16,486,000[2]
Cash dividends	3,656,000	3,476,000	3,465,000	2,776,000	3,538,000[3]
Per share*	.95	.91	.91	.73	.92
Working capital	50,054,000	63,360,000	44,831,000	46,164,000	52,504,000
Long-term debt	28,459,000	22,660,000	10,215,000	9,352,000	10,232,000
Minority interests	28,733,000	37,303,000	8,137,000	8,633,000	11,050,000
Stockholders' equity	127,957,000	121,210,000	106,935,000	102,176,000	102,839,000
Per share*	33.09	31.66	28.01	26.89	26.59
Shares of capital stock outstanding*	3,866,942	3,828,749	3,818,255	3,799,139	3,868,131

NOTES:

* Adjusted for 10% stock dividend paid to stockholders of record as of March 29, 1965 and 3-for-2 stock split, effected in the form of a dividend, as of February 1, 1966.

1 Gain on sale of Matson Navigation Company stock, less applicable income taxes.

2 Gain on liquidating dividends on Honolulu Oil Corporation stock, less applicable income taxes.

3 Includes $2,511,392 declared prior to April 30, 1961, paid in 1961-1962.

OFFICERS
A. G. BUDGE, Chairman of the Board
MALCOLM MacNAUGHTON, President
W. M. BUSH, Executive Vice President
H. K. L. CASTLE, Vice President
JOHN F. MURPHY, Vice President & Secretary
HENRY B. CLARK, JR., Vice President & Treasurer
STANLEY ROSCH, Vice President & Controller
ROBERT S. GORDON, Vice President
HOWARD HUBBARD, Vice President
JOHN H. SCOTT, Vice President
W. B. JAMIESON, Assistant Controller
S. P. McCURDY, Assistant Treasurer
J. K. PALK, Assistant Treasurer
G. C. SHERVEY, Assistant Treasurer
H. B. BENNER, Assistant Secretary
JOHN CAMPBELL, JR., Assistant Secretary
ALLEN V. CELLARS, Assistant Secretary
JAMES R. FARLEY, Assistant Secretary
R. M. MACFARLANE, Assistant Secretary
H. M. RICHARDS, Assistant Secretary

AUDITOR
HASKINS & SELLS, Honolulu

STOCK TRANSFER AGENTS
HAWAIIAN TRUST COMPANY, LIMITED, Honolulu
WELLS FARGO BANK, San Francisco
MORGAN GUARANTY TRUST COMPANY, New York

REGISTRARS
BISHOP TRUST COMPANY, LIMITED, Honolulu
BANK OF AMERICA, N.T.&S.A., San Francisco
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